

## **THE BUDGET PROPOSAL OF THE CABINET 2017/2018**

### **Budget Headline**

**The proposed Budget for 2017/2018 covers the second year of the period covered by the Government's Comprehensive Spending Review for 2016/2017 to 2019/2020. This presents the Council with a significant and sustained financial challenge.**

**The Budget focusses on protecting high priority frontline services, delivering important manifesto commitments, growing income and further increasing the efficiency of Council services.**

**As part of the Local Government Finance Settlement, the Government continues to provide some recognition of the acute financial challenges facing Adult Social Care services and have continued the provision of a specific Adult Social Care council tax precept. Therefore, in order to protect frontline adult social care services, an additional 2% increase in the overall council tax precept is included for Adult Social Care in our proposed Budget.**

**Whilst significant savings and additional income generation proposals totalling £14.7m are included in our proposed Budget, we are also recommending that Council Tax is increased by 1.5% in 2017/2018 in order to avoid cuts to frontline services. The proposed band D Council Tax for Bath & North East Somerset Council next year is £1,284.33 (£1,240.90 in 2016/2017), an increase of £3.62 per month for a Band D property.**

**The proposed net revenue budget for Bath & North East Somerset Council next year, 2017/2018, is therefore £112.796m, a net cash decrease of £1.983m on the previous year. This includes the impact of significant reductions in government funding amounting to 15.8% (£5.7m) for 2017/2018.**

### **The Budget Context**

The Government Spending Review, announced in December 2016 confirms that the financial challenge facing local government will continue to 2019/2020 at least. The represents a full decade of sustained funding reductions which will fundamentally have changed the way in which Councils are funded for providing public services. Indeed by 2019/2020 we have confirmation that our core Government grant funding will effectively be removed.

Since 2012/2013 the reduction in Government Grant Funding has averaged over 11% per annum resulting in over £30M of savings and additional income generation over the last three years alone.

**Table 1: Reduction in Government Grant Funding 2012/2013 to 2016/2017**

	2012/13	2013/14	2014/15	2015/16	2016/17
Actual B&NES Funding Reduction	-8.3%	-9.4%	-9.6%	-13.7%	-17.7%

During 2016, the Council had provided an Efficiency Plan submission to the Government as part of a national scheme, to secure the basis of a 4-year financial Settlement through to 2019/2020. This was agreed by the Government and basically provides some protection to the Council against any additional funding reductions over this period.

This additional clarity around future financial planning confirmed the further grant funding reductions that are to be expected which, together with anticipated cost and demographic pressures currently require up to £37m in additional savings and income generation over the next three year period.

The provisional Local Government Finance Settlement announced on 15th December 2016 was therefore in line with expectations for reductions to core government grant funding as set out below:

**Table 2: Reduction in Government Grant Funding 2017/2018 to 2019/2020**

	2017/18	2018/19	2019/20
Actual B&NES Funding Reduction	-15.8%	-10.4%	-11.3%

In financial terms, the Settlement has confirmed the saving and additional income required of £37M over the next three year period broken down as follows:

**Table 3: Estimated Budget Shortfall 2017/2018 to 2019/2020**

	2017/18	2018/19	2019/20
Council Savings and Income Target	£16M	£12M	£9M

Also within the Settlement the Government have made a number of further provisions and funding changes as follows:-

- The inclusion of the West of England Devolution Authorities as a pilot area for 100% Business Rates Retention from 2017/2018. This provides a significant financial benefit to the Council estimated at some £2.5M in 2017/2018.
- Inclusion of a one-off Adult Social Care Grant for 2017/2018 worth £733K to this Council.
- An increase in the Adult Social Care Council Tax increase threshold from 2% to 3% in 2017/2018 and 2018/2019 although this 1% per annum addition is clawed back in 2019/2020 if used.
- Significant changes to New Homes Bonus funding although these were better for the Council than assumed mainly because of a very positive position on new housing delivery.

- The general council tax referendum limit remains at 2% (this excludes the ASC Council Tax increase).

Taking account of the net impact of the Settlement, the Budget proposal outlines savings and additional income totalling £14.7M for 2017/2018.

Whilst the Council does face an increasing challenge to deliver the financial plans set out in the Budget Proposal, the Council has a prudent level of reserves and can use these to support and smooth the effects of policy changes and delivery of the financial savings particularly recognising the ongoing reductions in Council funding to 2019/2020 and beyond.

**Structure of the Budget Proposal**

Section 1 sets out the approach to the revenue and capital budget and the build-up of the recommended revenue budget for 2017/2018. Annex 1 provides the breakdown of the Budget for 2017/2018.

Section 2 sets out the position regarding future years 2018/2019 to 2019/2020.

Section 3 sets out the recommended capital programme for 2017/2018 including the indicative capital programme through to 2021/2022. Annex 3 provides more detail.

Section 4 sets out the current position on revenue balances taking into account the proposals for prudent use of reserves.

Section 5 sets out the implications of the revenue budget for Council Tax levels for 2017/2018.

**Table 4: Summary Net Revenue Budget and Capital Programme 2017/2018**

	<b>2017/18</b>
<b>Revenue Budget Funding:</b>	<b>£m</b>
Council Tax	82.192
Retained Business Rates (after tariff)	31.261
Reserves & Collection Fund (one-off)	(0.657)
<b>Total Funding</b>	<b>112.796</b>
<b>Net Revenue Budget Spend</b>	<b>112.796</b>
<b>Capital Programme – for approval</b>	<b>56.083</b>
<b>Capital Programme - for provisional approval (subject to)</b>	<b>126.584</b>

**Note:** Some of the figures in the table are affected by rounding.

## Section 1 – The Revenue Budget for 2017/2018

### The Budget Proposal

Each Directorate of the Council prepared a detailed Directorate Plan covering the 2017/2018 Financial Year with specific proposals for the following 2 years to 2019/2020. These plans were reported to the relevant Policy and Development Scrutiny (PDS) Panel throughout January 2017.

The Directorate Plans set out the specific service and resource requirements for 2017/2018. Feedback from the individual PDS panels and the budget engagement with the Community Forums will be considered by the Cabinet in arriving at the proposed Budget for 2017/2018.

All of the detailed proposals for additional resources, savings and additional income to support this balanced Budget proposal are further summarised in Appendix 3 to this report.

The proposed Budget addresses the financial challenge facing the Council and presents a balanced budget for 2017/2018 together with proposals to reduce the budget gap in the following 2 years to 2019/2020. The Cabinet have identified three core aims as a focus to ensure the Council:

- Is efficient and well run;
- Invests in the future of the area; and
- Puts the interests of residents first

In order to present these proposals for covering the next three year period, the Cabinet have examined a range of options as part of its review of Council spending. This has included consideration of proposals provided by Management, the Council's finance business partner EY, and from a portfolio holder challenge process to generate the additional savings or income to address the Budget gap.

The Council's four strategic priorities as set out in the Corporate Strategy remain at the heart of this process:

- **A strong economy and growth**
- **A focus on prevention**
- **A new relationship with customers and communities**
- **An efficient business**

The proposals identified which form part of the Budget proposal for 2017/2018 and the following two financial years, are reflected in the Directorate Plans and set out at Appendix 3.

### **Corporate Assumptions**

The assumptions which underpin the 2017/2018 Budget estimates are set out below:

- An estimated pay increase of 1% from 1 April 2017 which covers the period until 31 March 2018 (this is in line with the two year pay settlement agreed for 2016/2017 and 2017/2018).
- An increase in the employers local government pension contribution rate of 0.5% following the most recent actuarial review of the Avon Pension Fund.
- Continued very low rates of interest of under 0.3% per annum for treasury management cash investments. The Council will maintain a minimum cash policy.
- Balanced budgets are achieved for 2016/2017 with no new related on-going funding pressures beyond those identified within this Budget proposal.
- No general inflationary provision – specific inflation has been provided and identified on a limited basis as growth within service areas based on specific service circumstances and contractual commitments
- That new borrowing will be kept to a minimum to fund essential infrastructure and investment that provides a positive financial return to the Council, subject to market conditions and the overriding need to meet cash outflows.
- Fees and charges set by statute will be calculated in accordance with defined calculations under statutory guidance.
- Changes to existing, or the introduction of new fees and charges related to savings and income generation proposals included in Appendix 3 will be subject to the approval by the relevant Cabinet Member as detailed proposals are developed.
- Unless otherwise provided for, the level of discretionary fees and charges are delegated to Officers, in consultation with the relevant Cabinet member and, will generally increase in line with the increase in the costs of the relevant service.

### **Government Grant Funding**

During 2016, the Council provided an Efficiency Plan submission to the Government as part of a national scheme, to secure the basis of a 4-year financial Settlement through to 2019/2020. This was agreed by the Government and provides some protection to the Council against any additional funding reductions in revenue support grant over this period.

The provisional Local Government Finance Settlement for 2017/2018 was announced on 15 December 2016 and, as expected, confirmed the figure set out in the 4-year financial settlement.

This showed the Council's funding baseline for 2017/2018 reducing by 15.8% which represented a reduction of £5.7M in cash terms. This reduction is in line with our current financial planning assumptions.

The Settlement also announced changes to the funding arrangement for the New Homes Bonus. The options for such changes were consulted on shortly after the

Settlement last year so changes had been anticipated. The thresholds have changed and the funding itself will also be reduced from 6 years down to 4 years. For the Council, the change produces a slightly positive position primarily due to the exceptionally good house building performance in 2016 – with an overall increase in grant of £126k.

### **Retained Local Business Rates – 100% Business Rate Retention Pilot**

In 2016 the Government announced that it was introducing pilot schemes for 100% business rate retention from 2017/2018 in advance of a national scheme later in the parliament.

Only authorities with signed devolution deals are eligible to participate in the pilot: the pilot for the West of England therefore includes B&NES, Bristol and South Gloucestershire.

This pilot provides for the three authorities the opportunity to retain 100% of any business rates growth over the next two to three years, with no downside financial risk when compared to remaining in the national system. It also gives the three authorities the opportunity to help shape the national scheme.

Based on the budgeted level of business rates income, this will deliver an estimated benefit of £2.5M per annum for this Council and this has been factored into the Budget proposal for 2017/2018. This additional revenue income would not be available to the Council without the devolution deal for the West of England.

The pilot will run until the national 100% retention scheme is introduced in either 2019/2020 or 2020/2021. The Pilot will include the rolling in of the Revenue Support Grant with the WECA receiving a small share of the business rates to reflect the rolling in of the DfT Integrated Transport Block and Highways Maintenance Capital Grants; this is expected to be 5%.

As part of the proposed Budget, reasonable assumptions have been made for likely levels of future Business Rate income, together with specific provisions for appeals and growth. Any surplus or deficit on the Business Rate Collection Fund will be transferred to an earmarked reserve for consideration as part of the Business Rates calculations for future years.

### **Schools Funding**

Schools are funded by the Dedicated Schools Grant (DSG) which is initially allocated to the Council by the Department for Education (DFE). The DSG supports all expenditure in schools (who set their own budgets) and the activities that the Council carries out directly for schools. It does not cover the statutory responsibilities the Council has towards parents. These responsibilities are funded through the Councils main revenue funding and included as part of the proposed Budget.

The Dedicated Schools Grant (DSG) increase compared to 2016/2017 is complicated by the conversion of several schools to academies, and the transfer of additional funding for new studio schools into the DSG from other funding routes. The overall

increase in the DSG is estimated for 2017/2018 at £5.336m with total funding of £128.77m. The additional funding relates to the additional resources provided to accommodate increased pupil numbers in our schools, and the changes announced in relation to additional resources for early years to enhance the provision for 2, 3 and 4 year olds. Taking account of this, the overall total represents a cash freeze per pupil compared to the previous year.

The Pupil Premium, paid to schools to support pupils from deprived backgrounds has also had a cash freeze attached to its funding rates. This means that all school funding has been contained at the same funding rates as 2016/2017. The financial pressures on schools including pay awards, National Insurance changes and Superannuation charge increases will have to be found by schools through efficiency gains.

As schools convert to academies the DFE take back the element of DSG payable to the local authority in order to make payments direct to the academies. The DFE estimate of this will be £59.3m in 2017/2018 leaving £69.47m for LEA schools.

This recoupment by the DFE is based on 10 secondary, 3 special, 23 primary and 3 Studio academies in 2017/2018. These school numbers include 5 primary schools anticipated to convert to academies on or by 1<sup>st</sup> April 2017. It is difficult to assess the number of schools who will be converting to academies over the next year.

Further budget changes to council funding are generated by the changes to the Education Services Grant (ESG) which has been split into 2 sections. Retained duties will be paid to Local Authorities through the DSG for 2017/2018. The allocation for 2017/2018 amounts to £383,000. The second element is being cut as part of the government's savings plans and this has been incorporated into the overall funding set out in the Local Authority budget.

The DFE are currently consulting on changes to the allocation of funding to schools and the LA as part of the introduction of a National Funding Formula (NFF). The consultation (stage 2) is split into 2 parts, a school funding section and a Local Authority section covering high needs budgets.

The implementation of the new regime is anticipated to start in April 2018 with full operation in 2019/2020.

The consultation provides indicative allocations that may be provided to schools and the LA under the 2 sections. For B&NES schools (including academies) the anticipated impact shows a predicted £5.1m increase in resources which equates to a 5.46% increase.

The LA part (high needs) of the consultation suggests that the LA will be protected to current spend levels.

### **Adult Social Care**

The Government has recognised some of the pressures facing Adult Social Care (ASC) authorities, providing for a continuation for a specific increase in the local council tax precept. The Settlement increased flexibility from the previously signalled 2% annual

increase by now allowing up to 3% in 2017/2018 and 2018/2019 although this 1% per annum addition is clawed back in 2019/2020 where it is used.

These costs pressures facing ASC have been identified by the Council as part of the financial planning process, and include:

- The ongoing impact of Government's national living wage;
- An increasingly challenged care market, struggling to recruit and retain staff, which is impacting on the quality and availability of care home placements, which, in turn is increasing the fee levels it is necessary to pay to secure placements; and
- Increasing demand and demographic pressures including Learning Disabilities care placements transitioning into working age
- Transitional costs for the mobilisation and service transformation through the *your care, your way* contract;

Taking account of these pressures, the Budget proposal includes the provision for an increase of 2% in the Council Tax to meet these ASC cost pressures. This will raise approximately an additional £1.6M which will be passed directly to the ASC Budget on the basis that the service continues to make every effort to ensure that costs pressures are contained within this provision.

This Government flexibility for a specific ASC Council Tax increase comes with a range of certification requirements to ensure the funding raised is spent on ASC, which effectively ring-fences the ASC Budget within the Council.

### **The 2017/2018 Adult Social Care Support Grant**

The Government has listened to the concerns expressed about the pressures facing the adult social care market and the need to address these funding challenges. As a result £240m additional savings from the New Homes Bonus nationally will be released to authorities responsible for Adult Social Care. For the Council this has resulted in a one-off amount in 2017/2018 of £733k, it is proposed that this funding is held in a fund to be utilised for the implementation of the significant change programme required to meet the savings proposals outlined in Appendix 3 of the report.

### **The Better Care Fund**

The Better Care Fund is intended to incentive the integration of health and social care, requiring Clinical Commissioning Groups and Local Authorities to pool budgets and agree an integrated spending plan. Greater integration is seen as a potential way to use resources more efficiently, in particular by reducing avoidable hospital admissions and facilitating early discharge from hospital.

In 2017/2018 nationally the fund increases from the £3.9bn in 2016/2017 with the addition of improved Better Care Funding to Local Authorities worth £105 million in 2017/2018, the local flexibility to pool more than the mandatory amount will remain. From 2018/2019 the government will make funding available incrementally to Local Authorities, £825 million in 2018/2019 and £1.5 billion in 2019/2020. For the Council,

indicative allocations of the funding are £0 in 2017/2018, £1.4 million in 2018/2019 and £3 million in 2019/2020.

Guidance on the BCF for 2017/2018 is yet to be published. Pending publication of the guidance, it is anticipated that it will be a 2-year plan covering 2017/2018-2018/2019. It is expected that this will be an evolution of the current plan and will, as is currently the case, align with other local plans, including those for the further integration of health and social care and reflect key strategic priorities including those in the Health and Wellbeing Strategy, CCG 5-Year Plan and development of the B&NES/Swindon/Wiltshire Sustainability and Transformation Plan (STP).

The 2017/2018 Budget proposal incorporates the following financial provisions as part of the Better Care Fund:-

- Revenue funding transferred from BaNES CCG for Council commissioned Better Care Fund schemes will remain consistent with the 2016/2017 allocation of £8.46m and include an inflationary uplift for the protection of social care.
- The BCF financial plan will hold a contingency in line with the 2016/2017 value to mitigate the cost of non-elective admissions if the targets set in the 2017/2018 BCF plan are not achieved.

In accordance with the normal process to access the fund, the Health and Wellbeing Board will jointly agree plans for how the money will be spent with sign off by the relevant Council and BaNES CCG groups.

Areas will be able to graduate from the existing Better Care Fund programme management once they can demonstrate that they have moved beyond its requirements. Further details will be set out in guidance during the year.

#### Health and Social Care Integration – *your care, your way*

Levels of health and social care integration have been greater in B&NES than most other areas with long established community health and adult social care provision and commissioning. The ambition is to develop a long-term, place-based and outcomes-oriented perspective, extending the breadth of integration including Primary, Acute and Specialist care, mental and physical health and the wider determinants of health and wellbeing such as employment and housing. This aligns to the local vision for health and care with a focus on a more community based, preventative approach and the establishment of the Council and CCG *your care, your way* Prime Provider contract with Virgin Care. The BCF Plan and associated pooled funding arrangements between the Council and CCG will act as an enabler for delivery of our local vision and help achieve the national ambition that by 2020 health and social care are integrated across the country.

## **Resource Allocation including Recurring and One-Off Funding**

The Cabinet has considered the allocation of recurring and one-off funding to meet resourcing priorities. This recurring or one-off funding is created from a number of sources and can only be finalised once all assumptions and calculations are completed for the proposed Budget. These sources include:-

- Changes in financial planning assumptions
- Variations in local government finance settlement
- Full year effect of savings proposals
- Adjustments to corporate and capital finance items
- Calculation of the Council Tax Base
- Calculation of the Retained Local Business Rates

The Budget includes the following allocations of resourcing to meet specific commitments and priorities:

### **On-going Resourcing Allocations - £nil**

No specific allocations of on-going funding have been made within the Budget proposal for new revenue Budget statutory or policy service commitments.

A number of cost, demand and legislative pressures have been recognised within the Budget Proposal as summarised in Table 5 of this Appendix.

### **One-off Funding Allocations - £1.374M**

These following allocations are to be made from the anticipated Council Tax Collection Fund Surplus (£755K), one-off savings from transitional impact of growth assumptions (£559k) and a draw down from the Financial Planning Reserve (£60K):

- £950K to be transferred to the Business Rate Reserve to cover increased costs arising from increased levels and value of appeals.
- £57K to support ongoing actions and activities to manage the urban gull population.
- £50K to provide funding for the development of potential shovel ready schemes including highway verges and cycling to support and access Government capital funding bids.
- £15K for a detailed study of home to school transport needs and solutions.
- £92K to provide a "Pride in Your Place Fund" to support matched funded local parish initiatives linked to Community Forums.
- £150K to provide for Pearl Izumi Tour Series and related cycling events and activities across B&NES. This figure will be supplemented by sponsorship of the events and activities.

- £60K to meet the Council's contribution to external costs for professional advice and support in respect of the WoE Joint Spatial Plan (amount conditional upon all WoE authority contributions). This amount was agreed as part of the 2016/2017 Budget Report which included a 2 year allocation.

The £930k allocated by the government to meet transitional costs as one-off funding for 2017/2018 will be held corporately and released as further information on the budget outturn position is available (this is in line with the position taken in 2016/2017).

In addition to these specific proposals, under the Council's Invest to Save Scheme, the Section 151 Officer in consultation with the Cabinet Member for Finance & Efficiency, may authorise funding for robust and credible invest to save proposals from reserves (i.e. in the short term creating a 'negative ear-marked reserve' which is then repaid over time, usually 3 years, from the related savings).

### **West of England Combined Authority**

On 14<sup>th</sup> November the Cabinet delegated to the Chief Executive, in consultation with the Leader of the Council, authority to take all decisions, to make all necessary appointments, arrangements and provide written confirmation to the Secretary of State consenting to the making of the Order creating a West of England Combined Authority (WECA). Subsequently on the 12<sup>th</sup> January 2017, the Chief Executive provided such confirmation to the Secretary of State.

Subject to Parliamentary Approval the WECA will come into existence on 1 February 2017 or shortly thereafter.

All the financial implications were set out in detail in the specific decision reports of 29<sup>th</sup> June 2016 and 14<sup>th</sup> November 2016. It is now anticipated that the WECA will meet on the 15<sup>th</sup> March 2017 to consider and set the Mayoral and WECA Budget 2017/2018.

In anticipating of this it is appropriate to include within the Council Budget reasonable financial provisions related to the financial arrangements for the WECA, in particular:-

- Capital Grant payments from the WECA to the Council in respect of Highways Maintenance and Transport Improvement funding (previously funded directly by the Department for Transport)
- Contributions to the WECA from the Council (from existing budgets) to meet the costs associated with transferring transport functions including concessionary fares and community transport.
- Appropriate commissioning payments from the WECA to the Council for delivery of transport activities to ensure continuity of service provision.
- Within the Business Rates Collection Fund to provide for an appropriate share of Business Rates to be allocated to the WECA in accordance with the 100% Business Rate Retention pilot to meet the costs of Highways Maintenance and Transport Improvement Grants (this does not impact on the Council's anticipated benefits from participation in the pilot).

The net impact of the above transactions is anticipated to be neutral for the Council as these merely reflect the appropriate movement of funds in line with the devolution deal.

In addition to the above, the Council will be working with the WECA to identify further opportunities to deliver efficiencies and savings particularly relating to transport and infrastructure functions. This will initially include consideration of how the one-off implementation costs could be reimbursed by the WECA (up to £250K for each of the councils).

In order to avoid any potential transfers from Council reserves and balances arising from the relative risks of the WECA functions and responsibilities, it is anticipated that the WECA will not initially seek to hold specific balances and reserves. The risks associated with these functions and responsibilities will instead continue to be met and underwritten by the constituent councils.

### **Council Tax**

The Local Government Financial Settlement included provisions for councils to:

- Provide for a specific Council Tax increase of up to a maximum of 3% to be ring-fenced for the additional cost and demand pressures facing the Adult Social Care service. This provision is on the basis that overall the Council may provide for up to a 6% increase over the next three year period up to and including 2019/2020 with a maximum of 3% in each of 2017/2018 and 2018/2019 (implying 0% in 2019/2020). This provision includes a number of specific certification requirements to ensure all such funds raised are spent on delivering Adult Social Care services.
- A further general Council Tax increase of up to 2% beyond which a specific local referendum on Council Tax increases would be required.

**The proposed Council Budget provides for the following:**

- **In order to protect frontline Adult Social Care services, a specific council tax increase of 2%.**
- **A general council tax increase of 1.5% in 2017/2018 in order to avoid cuts to frontline services.**

**The proposed band D Council Tax for Bath & North East Somerset Council next year is £1,284.33 (£1,240.90 for 2016/2017).**

### **Revenue Budget Proposal – The Headline Numbers**

The proposed revenue budget for 2017/2018 represents:

- A net £2.0m or 1.7% decrease in the non-schools budget.
- An increase in the DSG estimated at £5.3m with total funding of £128.8m (including academies). The majority of the additional funding relates to the additional resources provided to accommodate increased pupil numbers in our schools, and the changes announced in relation to additional resources for early years to enhance the provision for 2, 3 and 4 year olds. Taking account of this, the overall total represents a cash freeze per pupil compared to the previous year.

We are recommending a net revenue budget for 2017/2018 of £112.796m. Table 5 below, and Annex 1 to this Appendix, show the build-up of the recommended 2017/2018 revenue budget, compared to the rolled forward base budget from the current year.

**Table 5: High Level Build-up of the 2017/2018 Budget (detail in Annex 1)**

<b>Description</b>	<b>£'000</b>
<b>Total Base Budget rolled forward – 2017/2018 (after removal of one-off items in 2016/2017 Budget)</b>	<b>114,779</b>
One-off Allocations (excluding transfer to Business Rates Reserve)	424
Contractual and Unavoidable Inflation	4,254
New Legislation / Government Initiatives	2,326
Demographic Growth	4,019
Other / Technical (Including Capital Financing)	1,713
<b>Total including Growth</b>	<b>127,515</b>
Efficiency Savings	2,740
Refinancing	3,965
Growth Avoidance	1,265
Increases in Income from fees, charges and other grants	5,350
Service Redesign	1,399
<b>Total Savings</b>	<b>14,719</b>
<b>Recommended Net Revenue Budget 2017/2018</b>	<b>112,796</b>

In recommending the overall revenue budget to the Council, this also includes the individual service cash limits for 2017/2018. These are shown in **Annex 1** to this Appendix. Table 6 shows the resource allocation for 2017/2018 by service area.

Table 6: Resource Allocation 2017/2018

SERVICE AREA	2017/2018		
	GROWTH (£M)	SAVINGS (£M)	CASH LIMIT (£M)
<b>Adult Social Care &amp; Health</b>	4,042	2,391	<b>59,548</b>
<b>Children's Services</b>	2,464	191	<b>25,285</b>
<b>Place</b>	1,555	2,335	<b>20,694</b>
<b>Resources &amp; Support Services</b>	1,660	2,379	<b>6,435</b>
<b>Corporate &amp; Agency</b>	3,014	7,424	<b>834</b>
<b>Totals</b>	<b>12,736</b>	<b>14,719</b>	<b>112,796</b>

Note: Some of the figures in the table are affected by rounding.

## Section 2 – Future Years 2018/2019 to 2019/2020

The Directorate Plans cover the period from 2017/2018 through to 2019/2020 setting out the proposals to address a significant element of the financial challenge over this period. Whilst there are still anticipated shortfalls in 2018/2019 and 2019/2020, these will be addressed as part of the specific Budget proposals for each of those financial years.

The Settlement for 2017/2018 provided firm figures for the period through to 2019/2020 for core grant funding streams. These figures should only change in exceptional circumstances. It should be noted however that not all funding streams are covered by this Settlement and there are still a range of national funding factors that could impact on the Council's future financial position as follows:-

- The arrangements for New Homes Bonus funding highlight the significant variability of this funding going forwards and is particularly sensitive to the level of actual new homes constructed in the Council area.
- The participation of the Council in the 100% Business Rates Retention Pilot provides a significant benefit from growth in business rates for the Council – however this also leaves the Council exposed to a higher degree of risk in the event of unexpected appeals or reliefs being granted.
- Future expansion of the Better Care Fund will need to be considered as distribution of this funding and any service or outcome delivery requirements accompanying this have not yet been set out.

In addition there are also a number of factors which we can identify that will impact on local government funding going forwards:

- The ongoing impact of demographic changes for Adults and Childrens Social Care.
- The likelihood of increasing pay inflation (direct and indirect).
- The potential impact of changes to interest rates and the revenue cost of meeting the Council's full borrowing requirement.
- The level of inflationary cost pressures arising on Council services.
- Unknown issues related to the impact of Brexit.

Given the scale of savings already achieved and those outlined in the Directorate Plans, it is likely that future savings will require further prioritised changes to, and redesign of Council services.

The Financial Planning work undertaken indicates the remaining future scale of the financial challenge for the remainder of the Spending Review Period to 2019/2020 requires the Council to deliver savings or additional income of £7M over this period. This recognises the significant achievement in identifying proposals to bridge the majority of the funding challenge.

## Section 3 – The Capital Budget for 2017/2018

### Introduction

The Cabinet's proposals for the Council's capital programme are limited to a number of specific new additions to the existing approved programme full details of which are set out in this Section.

This Capital programme proposals:

- Limits new commitments to items which are in line with Council priorities and objectives and which are funded either from external sources or from anticipated future capital receipts.
- Provides capital funding to support specific projects which generate new and additional income for the Council as set out in specific business cases. The borrowing costs associated with these projects are anticipated to be more than fully covered by the income generated.
- Recognises that careful consideration has been made by Officers and Members regarding future commitments and the direction of this programme.

The intention remains to minimise new borrowing in the current market climate and fund the capital programme from a mixture of future capital receipts and internal cash flow wherever possible. However the decision on the timing of new borrowing will be driven by market factors, particularly movements in interest rates to provide overall value for money to the Council.

The projected capital receipts were shaped by a Property Review of proposals for development of Council owned sites. These projected receipts are kept under regular review to ensure the latest position is reflected in budget planning. Going forwards it is anticipated that, with the exception of the commercial estate, and all existing and future projected capital receipts will be utilised to support the general financing of the Council's Approved Capital Programme.

The presentation of the Capital Programme retains the clear separation of schemes for **Full Approval** and those which are for **Provisional Approval**.

Items gaining **Full Approval** are clear to proceed to full scheme implementation and delivery, subject to appropriate project management and governance.

Items for **Provisional Approval** will require further Officer and Member scrutiny, including a formal Executive decision for Full Approval. The budget numbers for schemes shown for Provisional Approval are therefore included on an indicative basis, and as an aid to planning.

### **Recommended Programme for 2017/2018**

On this basis the Cabinet is recommending the Capital Programme as attached in **Annex 3**, which reflects our ambitions for investment to generate additional income and is summarised in the table below.

## APPENDIX 2

The proposed programme assumes total capital payments and funding in 2017/2018, comprising both the programme for Full Approval of £56.083m and a programme for Provisional Approval (subject to) of £126.584m, as shown in Table 7 below. This table also shows the indicative capital programme and funding at summary level for 2017/2018 to 2021/2022. **Annex 3** shows the total capital programme for 2017/2018 to 2021/2022 in more detail.

**Table 7: Summary Capital Programme and Financing 2017/2018 - 2021/2022**

**For Approval**

Capital Scheme	Budget 2017/2018 £'000	Budget 2018/2019 £'000	Budget 2019/2020 £'000	Budget 2020/2021 £'000	Budget 2021/2022 £'000	Total £'000
Place	31,793	4,450	0	0	0	36,243
People & Communities	4,206	258	0	0	0	4,464
Resources	20,084	2,635	2,367	0	0	25,086
<b>Total</b>	<b>56,083</b>	<b>7,343</b>	<b>2,367</b>	<b>0</b>	<b>0</b>	<b>65,793</b>

**For Provisional Approval (Subject to)**

Capital Scheme	Budget 2017/2018 £'000	Budget 2018/2019 £'000	Budget 2019/2020 £'000	Budget 2020/2021 £'000	Budget 2021/2022 £'000	Total £'000
Place	68,679	35,455	20,153	19,108	19,440	162,835
People & Communities	16,794	6,858	0	0	0	23,652
Resources	41,111	30,188	3,752	181	134	75,366
<b>Total</b>	<b>126,584</b>	<b>72,501</b>	<b>23,905</b>	<b>19,289</b>	<b>19,574</b>	<b>261,853</b>

<b>Grand Total</b>	<b>182,667</b>	<b>79,844</b>	<b>26,272</b>	<b>19,289</b>	<b>19,574</b>	<b>327,646</b>
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**Funded By**

Financing	Budget 2017/2018 £'000	Budget 2018/2019 £'000	Budget 2019/2020 £'000	Budget 2020/2021 £'000	Budget 2021/2022 £'000	Total £'000
Grant	40,742	16,269	5,357	5,906	5,758	74,032
Capital Receipts/RTB	9,993	6,590	590	635	605	18,413
Revenue	2,281	0	0	0	0	2,281
Borrowing	119,848	51,610	19,806	12,560	13,031	216,855
3rd Party (inc S106 & CIL)	9,803	5,375	519	188	180	16,065
<b>Total</b>	<b>182,667</b>	<b>79,844</b>	<b>26,272</b>	<b>19,289</b>	<b>19,574</b>	<b>327,646</b>

Note1: The figures in the table above include re-phasing from prior years.

Note2: Some of the figures in the above table are affected by rounding.

Note3: The Figures include capital spend of £109m to generate investment returns.

**Funding**

The revenue budget for 2017/2018 provides for the revenue consequences of the Council borrowing in support of capital expenditure where appropriate.

The Capital Programme assumes the achievement of £18.413m of capital receipts over the five year period 2017/2018 to 2021/2022.

Capital receipts arising from commercial estate transactions will be specifically ring-fenced and allocated to support funding of further commercial property acquisitions.

These prudent provisions recognise the difficulty in accurately projecting the actual level of capital receipts over longer-term periods, which will ultimately be dependent on the specific proposals for individual sites in the future.

**Community Infrastructure Levy (CIL)**

The Strategic CIL income up to March 2017 is forecast to be around £920,000. The priorities for determining CIL expenditure is the Council's Infrastructure Delivery Plan (IDP) which, identifies the essential infrastructure needed to support the Council's growth proposals, and the Capital Programme. The recommended CIL infrastructure spend items for 2017/2018 are as follows:

- Education provision in various locations across the Authority, including St Nicholas School in Radstock £450,000
- Flood mitigation to enable the development of Bath Quays North £200,000
- Bath Leisure facilities car park improvements £200,000
- Highway schemes in North East Somerset £70,000

Arrangements are in place to transfer the local CIL income to Town and Parish Councils. Bath is allocated 15% of CIL generated in the City (£140,000 for 2017/2018) but because it is unparished, the funds are retained by B&NES Council with decisions on spend made in consultation with the local community. It is proposed that the Bath City Forum will play a key role in acting as the conduit for local views. The forum has therefore established arrangements to fulfil this role so that it can make recommendations to Cabinet and Council along with the rest of CIL spend decisions.

## **New Schemes within the Capital Programme**

### **PLACE**

#### **Environmental Services**

##### **Highways Maintenance Programme for Full Approval of £3.938m**

The Highways Structural Maintenance budget is included for Full Approval at £3.938m. This is funded by Government Grant through the DfT, £3.352m of which relates to the main part of the maintenance block settlement and £314k is the incentivised element of the same funding block achievable in the 2017/2018 year as a result of having progressed the devolution deal. These two grants will initially flow to the West of England Combined Authority before being allocated to the Council, so approval will be subject to the WECA Budget setting meeting on 15<sup>th</sup> March 2017. The additional £272k has been provided from the DfT Pothole Action Fund.

This programme is a key component in achieving and maintaining the corporate objective of creating neighbourhoods where people are proud to live. By improving the overall condition of the highway network it serves to minimise road works with associated traffic disruption and addresses poor & visually unattractive surfaces and end of life assets. Improved street lighting leads to people in communities feeling more safe and happy with where they live. The transport network is crucial in maintaining a strong local economy and is a fundamental part of the local environment allowing local communities to thrive and flourish.

This will be used to address a programme of priority works across all highway asset groups namely carriageways, footways, structures (bridges, retaining walls, embankments & culverts), drainage and electrical infrastructure as identified through on-going inspection, monitoring and evaluation.

A detailed list of schemes, attached at Annex 3(i), will be subject to consultation with cabinet and ward members. Any amendments to the programme will be approved by the Divisional Director for Environmental Services in consultation with the Cabinet Member for Transport.

##### **Transport Improvement Programme for Full Approval of £2.249m**

The Transport Improvement Programme budget is included at £2.249m for Full Approval funded from £1.163m of Integrated Transport Block Government Grant (This grant will initially flow to the West of England Combined Authority before being allocated to the Council so approval will be subject to the WECA Budget setting meeting on 15<sup>th</sup> March 2017), £500k of Local Growth Fund to be confirmed, £70k of Better Bus Area Funding, £70k of CIL funding and £446k of s106 funds.

The programme delivers highway improvement works under the general headings of road safety, safer routes to school, pedestrians, congestion and traffic management schemes.

2017/2018 proposals continue a focus on supporting the five objectives identified in the West of England Joint Local Transport Plan:

- Reducing Carbon Emissions
- Supporting Economic Growth
- Promoting Accessibility
- Contributing to better safety, security and health
- Improving quality of life & a healthy natural environment.

A detailed list of schemes, attached at Annex 3(ii), will be subject to consultation with cabinet and ward members and the general public where appropriate. Any amendments to the programme will be approved by the Divisional Director for Environmental Services in consultation with the Cabinet Member for Transport.

### **Highways – National Productivity Investment Fund for Provisional Approval of £788k**

An additional sum announced in the Autumn Statement to fund local highway and other local transport improvements, for example, highways and public transport networks, with the aim of reducing congestion at key locations, upgrading or improving the maintenance of local highway assets, to improve access to employment and housing, to develop economic and job creation opportunities.

A detailed list of schemes will be worked up in consultation with cabinet and ward members and brought forward for formal decision. This grant will initially flow to the West of England Combined Authority before being paid to the Council, so formal decision will be subject to the WECA Budget setting meeting on 15<sup>th</sup> March 2017. Any later amendments to the programme will be approved by the Divisional Director for Environmental Services in consultation with the Cabinet Member for Transport.

### **London Road Modification for Provisional Approval of £200k**

Highway works were undertaken on the London Road in 2015. Experimental TROs were introduced in late 2015 and permanent TROs now need to be implemented. A wide variety of comments have been received from residents and interest groups. These have highlighted a number of issues that will need to be addressed to enable a permanent TRO to be implemented.

### **Dorchester Street, Traffic Review for Provisional Approval of £100k**

The Dorchester Street traffic layout was introduced as part of the Southgate development in 2010. The existing layout has proven sensitive to variations in traffic conditions which can result in delays.

This proposed review will establish if there are options for reducing the occurrence of delays. The options will be tested and if acceptable the aim will be to deliver the improvements.

**Somerdale Bridge, Keynsham (2017) for Provisional Approval of £70k**

As part of the redevelopment of the Somerdale site for housing a number of highway and sustainable transport improvements are included in the Section 106 agreement. This includes a financial contribution towards a new cycle and pedestrian path and bridge over the River Avon. The first stage of the project will be a feasibility study which will inform the delivery and cost plans.

**Kingsmead Square Improvements (2017-2018) for Provisional Approval of £110k**

The capital bid will fund a feasibility study to establish options for public realm improvement with potential changes for access into Kingsmead Square. Vehicles access would be restricted during set times, which will be similar to Stall Street / Lower Boroughs Walls timings. The proposals will be discussed with business and the local community.

**Keynsham Leisure Centre Refurbishment- Land Assembly (2018-2020) for Provisional Approval of £3.6m**

This Funding request seeks to increase the provisional budget for Keynsham Leisure Centre of £6.416m (as per Feb 2016 budget report) by an additional £3.6m. The request is for £2m to be funded from additional income (£1.5m in 2018/2019 and £500k in 2019/2020) and £1.6m through capital receipt for the sale of land at the Keynsham site to ADL.

The current contract with Greenwich Leisure Limited (GLL - Leisure Operator) requires GLL to design and deliver a new build Leisure Centre at Keynsham. Consultation in September 2015 indicated a strong preference for the leisure centre to be developed on the Riverside site. Progression of wider options for the Riverside site have meant that the Council is currently positioned to lead on the design and construction of an enhanced facility in consultation with GLL.

**Parks S106 Capital Projects (2017-2021) for Provisional Approval of £718k**

This programme will deliver capital improvements at a number of sites identified as priorities for improvement in the Green Spaces Strategy and will discharge B&NES responsibilities for delivering S106 agreements associated with these sites. Total request is for £718k fully funded through S106.

**More Plots for Bath for Provisional Approval of £10k**

Final year of a seven year project to deliver more allotment plots in Bath, totalling £10k for 2017/2018 to be funded by Corporate Supported Borrowing.

This links to the development of new allotments in 2017/2018 in the Newbridge/Weston area identified within the S106 item above and would provide the additional funding required to enable the works.

**Parks Action Response Work for Provisional Approval of £288k**

This will be funded through S106 and is to invest in equipment and facilities, including building compost facilities, with a view to reducing contractor costs

and improving income generation. A full business case is under development, which will outline savings, incomes and ongoing maintenance of new facilities.

**Parks Play Capital Programme (2017-2022) for Provisional Approval of £760k**

This will enable continually improved standards of play equipment through replacement and regeneration of play areas, in consultation with local members and communities, which follows works in the last few years. The replacement and improvement of play equipment supports the Council's Green Space Strategy, Play Policy and Play Strategy as well as the Government's National Play Strategy.

The programme will enable the Council to meet commitments to safety and quality, and to help reduce increasing ongoing maintenance costs (as equipment ages).

**Parks Equipment (2017- 2022) for Provisional Approval of £123k**

Capital budget required as part of the Parks ongoing replacement programme of equipment to enable continuation of operations.

**Parking Service – Equipment Replacement Programmes (2018-2022) for Provisional Approval of £190k**

Capital budget required as part of the Parking Services ongoing replacement programme to enable continuation of operations relating to the following items:

- Parking Enforcement Hand Held Computer Terminal Replacement
- Park & Ride Traffic Control Equipment Replacement
- Replacement Mopeds for Outer Area Parking Enforcement
- Radio System Replacement

**Air Quality Monitor Replacement (2017-2022) for Provisional Approval of £78k**

The Authority has a statutory requirement to monitor air quality where the objectives laid out in the Environment Act 1995 are exceeded. There is currently a network of monitors that enable us to ensure that we have high quality information about the Air Quality and help inform the actions that arise from our Air Quality Management Areas. The Council is currently awaiting the outcome of a bid to DEFRA which includes for the purchase of new mobile monitors that will improve the frequency and precision of the data collected in a more flexible manner. In addition to the bid to DEFRA, the Council is looking to continue to upgrade its existing monitors to ensure that the current high level of accuracy of the data collected is maintained.

**Environmental Neighbourhood Services Vehicle Replacement Programme for Provisional Approval (2017-2022) of £2.291m**

Purchase replacements in respect of end of life fleet vehicles for the Cleansing, Parks and Public Protection teams covering years 2017/2018 through to 2021/2022.

**Sydney Gardens: a 21st Century Pleasure Gardens (2017-2019) for Provisional Approval of £3.243m**

This increases the existing capital programme amount of £372k to a total project of £3.6m. The total project will be funded by £2.973m of Heritage Lottery funding, £270k of other external funding (including s106) and £372k of Council funding.

The additionality is to recognise successful application to the Heritage Lottery Fund for support in developing a programme of heritage conservation works, landscaping and infrastructure improvements linked to community engagement.

This total budget recognises both successful development stage funding and pending application for funding on the delivery stage of the works, which still requires final application process following development stage completion.

The project looks to protect and restore 'at-risk' listed historical structures, generate new business opportunities and open up new areas of the park to the public. The project will rationalise and repair parks infrastructure and will create a more coherent and manageable landscape.

**Litter Bin Replacement Programme (2017-2020) for Provisional Approval of £75k**

This project will continue improvements to the street scene within Bath & North East Somerset Council. An asset survey of the litter bin stock has been completed and the investment will be targeted where the current stock is damaged or rusty and provide for additional areas where the need for litter bin provision is established. The new litter bins are of a uniform style and standard and bring a consistent approach to the street furniture.

**Leisure - Car Park Works for Provisional Approval of £200k**

To undertake works at the car park at Bath Leisure Centre and Odd Down Sports Ground. Ongoing current works of a refurbishment at the leisure centre, do not incorporate works to the car park belonging to BANES. Required works include resurfacing the car park, providing lighting (LED) and making the area more secure. Works at Odd Down Sports Ground will include the provision of LED car park lighting required for reasons of Health and Safety. This work is to be funded through the Community Infrastructure Levy.

**Body Worn Video Cameras for Civil Enforcement Officers (2017-2021) for Provisional Approval of £50k**

This is equipment worn by Civil Enforcement Officers to ensure their immediate safety and prevent or minimise the risk of serious injury. The use of this equipment has seen a 50% reduction in reportable incidents and the evidence captured allows the Police to take further action, including use in recent prosecutions.

The equipment is operated in all weathers and has a three year life and therefore requires replacement as part of a rolling programme.

**Passenger Transport Vehicles (2018-2021) for Provisional Approval of £1,195k**

The objective of the project is to have a reliable and safe passenger accessible transport fleet so that vulnerable adults can access facilities and the Council meets its statutory duty of providing transport to school particularly for children with Special Educational Needs and Disabilities.

This is to amend the existing capital programme entries and extend the rolling programme to reflect ongoing replacement requirements.

**Community Regeneration**

**Roman Baths Archway Centre Public Realm for Provisional Approval of additional £226k**

This new funding is to support funding already identified through the Roman Baths Improvement Programme and the Public Realm Improvement Programme to deliver essential safety and public realm works in the immediate area of the new Archway Project.

**Roman Baths & Pump Room Infrastructure Programme Items for Provisional Approval of £495k**

Managed through Heritage Business Plan this continues the rolling 5-year programme of projects to invest in the Roman Baths and Pump Room buildings, facilities and 'visitor experience' is reviewed by Cabinet each year as part of the integrated Heritage Services 5-year business and investment plan.

These projects are initially included within the provisional capital programme as a "block" of works for that year. Inclusion of each block of projects in the approved capital programme is subject to the normal capital approval process.

This is to extend the programme for the length of the capital programme and is likely to cover monument conservation works. Specific items are also included to replace heat-exchange equipment (£250k) and existing electrical distribution arrangements that are at maximum capacity and no longer fit for purpose (£45k).

**Old Mills Enterprise Zone (2017 – 2019) for Provisional Approval** of £220k

Following signing of the Enterprise Zone (EZ) Memorandum of Understanding by Government, the Old Mills site will be granted full EZ status on 1 April 2017.

A provisional line is therefore required in the Capital Programme to enable potential external funding sources to be drawn upon should the opportunity arise. These could include Devolution funding, or LEP funding through the One Front Door process such as Local Growth Fund (LGF), Revolving Infrastructure Fund (RIF), or the Economic Development Fund (EDF) which under the terms of the MoU is ring-fenced for the site.

**Pioneer Office Space for Provisional Approval** of £10m

Funded through Local Growth Fund (& potentially other grant funds) this will provide much needed follow-on office space for small to medium enterprises within the city of Bath, and will generate income for the Council.

**Affordable Housing Capital Delivery (2017-2021) for Provisional Approval** of £3.508m

This capital continues the programme of support linked to the Council's strategic aim of delivering Affordable Housing and if required the recovery of Empty Properties.

It is important to note that opportunities to develop bespoke affordable housing solutions or secure delivery where there are viability issues can arise at any time. The ability to react quickly through capital intervention is key to being a responsive Housing Enabling Service.

It is feasible that future enhanced AH delivery at Foxhill will require subsidy from the Council from 2018 onwards.

**Disabled Facilities Grant Funding (2017-2023) for Full Approval** of £1.1m in 2017/2018 and **Provisional Approval** of £4.4m from 2018/2019 onwards

The Housing Grants, Construction & Regeneration Act 1996 places a duty on Local Housing Authorities to fund certain types of adaptations for disabled householders, subject to a financial means test. Eligible adaptations are those designed to enable freedom of movement into and around the applicant's home. They encourage, promote and enable well-being within the home and reduce down-stream costs of acute service provision. This funding will support a demand led programme of around 200-250 p.a. Disabled Facilities Grants in accordance with above legislation, statutory guidance and best practice.

**Cattlemarket for Provisional Approval** of £150k

To enable works on delivery of a solution around cattlemarket that could be linked to disposal of the site.

**Keynsham High Street: Permanent Scheme (2017-2019) for Provisional Approval** of £2.52m

The High Street one way trial will be in place for up to 18 months from Spring 2017, during which time there will be comprehensive public engagement on the merits of the trial and the design options for a permanent scheme. If the trial is supported, the final scheme will require design work in 2017/2018.

The design of a final scheme which would include significant public realm improvements, would initially be worked up during 2017/2018, funded through corporate supported borrowing amounting to £120k, but will not be fully established until consultation has concluded.

External funding for the delivery phase would be sought in the first instance.

**River Avon Park (2017-2020) for Provisional Approval** of £532k

This project, which is linked to Bath Quays, is currently being scoped in more detail by the Water Space Study (due for completion Spring 2017).

The River Avon Park concept includes the following:

- (1) Improved public realm river path – including public realm, safety improvements, wayfinding, accessibility and linkages to adjoining green spaces;
- (2) Improvements to adjoining parks and spaces - play facilities, re-design of parks, heritage interpretation, wayfinding;
- (3) Improving relationships to the River e.g. access for boats, moorings, wildlife enhancements;
- (4) Identifying opportunities to reduce costs or fund long term maintenance, including income generation.

During Q1 2017/2018, projects will be worked up to deliver improvements using s106 funding which has already been received.

**Midsomer Norton Town Hall Transformation Project for Provisional Approval** of £2.68m

This is to take forward a project around transformation of Midsomer Norton (MSN) Town Hall (The Island, MSN). This is a community building used by 42 community groups and the project seeks to expand and develop facilities for the benefit of MSN & the Somer Valley (including housing a heritage collection). Grant funding helped achieve planning permission (in 2013) & initial feasibility investigations plus cost estimates, this capital programme entry seeks provisional approval of funding to advance the project through full feasibility, construction, delivery & operational hand over.

The project will require full business case to take forward and would be funded through a combination of grant from Heritage Lottery & Architectural Heritage Fund (subject to a successful bid process for £1m), Corporate Supported

Borrowing of £1.258m, scheme specific receipts of £300k & £50k of community & benefactors fund raising.

## **PEOPLE AND COMMUNITIES**

### **Schools Capital Investments**

#### **Overview**

The Council retains responsibility for capital funding of existing schools (excluding academies and free schools) and for the expansion of school places at all schools including academies and free schools.

Schools capital grant funding of £3.039m in 2017/2018 and £5.758m in 2018/2019 has been confirmed by the Education Funding Agency (EFA) for Basic Need to support the provision of additional pupil places where there is population growth. An allocation for Capital Maintenance funding has yet to be announced, but an indicative figure of £1.25m is assumed.

The following table represents the amount of funding carried forward and future allocations.

	Carried Forward from 15/16 & 16/17	2017/18	2018/19	Total
Basic Need Grant Allocation	£4.284m	£3.039m	£5.758m	£13.081m
Capital Maintenance Grant	£963k	£1.25m*	tbc	£2.213m

\*assumed figure subject to Government confirmation

#### **2017/2018 Basic Need Schemes**

In 2017/2018 the level of Basic Need grant funding represents a 50% reduction on that received in the preceding two years, linked to academy conversions. The School Organisation Plan and annual School Places Return (SCAP) identify there is still an ongoing need to provide additional places in a number of areas across the Council. The funding is to provide the projected number of places that will be needed by September 2019. The allocation is non ring-fenced to enable the Council to fulfil its statutory duties in ensuring sufficient school places. There are no revenue implications for the Council arising from the expansion of schools as these will be met by the Dedicated Schools Grant (DSG).

The Council has a statutory duty to provide sufficient school places for every child resident in the Local Authority who requires a place with projects identified in line with these responsibilities. The key priority for investment is the need to provide additional primary pupil places driven both by underlying population growth and new housing. Funding has been provided for places required within the next two years and a number of schools have been identified where capacity will be required.

This list is not exhaustive as factors such as the need to revise projections as a result of updated information on births and resident population particularly when most primary schools are full or filling, may mean even a small number of additional pupils can trigger the need for additional classrooms. Other factors such as changes to the timescales of new housing delivery or a free school being approved can increase or reduce the need to add capacity.

**Basic Need (BN) has been allocated for 2017/2018 for the following schemes which have been approved at the PID stage.**

**Castle Primary School for Provisional Approval** of £1.295m Basic Need Grant & £1.261m Section 106 funding.

The final phase of expansion works to expand the school from 210 places to 420 places. The total project costs for phase 4 are £2.626m. Section 106 contributions totalling £1.261m have been received by the Council and a carry forward of £70k from the previous phase 3 project budget is available, leaving a balance of £1.295m to be allocated from Basic Need funding.

**St Saviours Junior School for Provisional Approval** of £147k Basic Need Grant & £18k Section 106 funding.

Remodelling works to accommodate a bulge class transferring through from St Saviours Infant School. Accommodation will be required for Year 3 pupils from September 2017. S106 contributions of £18k have been received, against a total project budget of £165k.

**Whitchurch Primary School for Provisional Approval** of £1.266m Basic Need Grant & £42k S106 funding

Expansion of the school from 210 places to 315 as a result of housing development and basic need pressures in the area. A S106 contribution of £72k has been received of which £42k remains available and further contributions of £706k are anticipated. Basic Need funding of £560k is required together with £706k basic need front funding, until the remaining S106 funding is received.

**Feasibility Studies for Full Approval** of £250k

The Council has a statutory duty to ensure there is sufficient provision of school places in the right areas to meet needs. Development work is required to inform detailed project plans for future capital schemes. It is proposed that delegated authority for approval of individual feasibility study budgets within the totals above is given to the Strategic Director, People & Communities in consultation with the Cabinet Member.

**The following schemes are for provisional approval in 2017/2018 and 2018/2019 and will require future PID and Single Member or Cabinet approval**

**Bathampton Primary School for Provisional Approval of £750k**

Replacement of two temporary classrooms, cloakroom facilities and toilets to provide permanent accommodation.

**Bathwick St Mary Primary School for Provisional Approval of £2.792m Basic Need Grant & £208k S106 funding.**

Expansion of the school from 210 places to 420 places to meet basic need pressures and provide places for the former MOD Warminster Road housing development. Section 106 contributions totalling £208k have been received with a further £494k expected. The total project cost being estimated at £3m. A basic need contribution of £2.298m is required plus front funding of the £494k outstanding S106 funding.

**St Nicholas Primary School for Provisional Approval of £1.5m in 2017/2018 and £1m in 2018/2019**

Expansion of accommodation from 280 to 420 places for September 2019. Additional places are required to meet the demand generated by housing development in the area. No S106 contributions were secured for the site. It is proposed to allocate a £450k CIL contribution to People & Communities which will be used to part fund the expansion. Basic need funding of £2.05m will be required to fund the project.

**Midsomer Norton Area for Provisional Approval of £300k**

To provide bulge class accommodation for September 2017 admissions at a Midsomer Norton Area primary school to be identified. This accommodation is required because of the delayed delivery of the Midsomer Norton Free School.

**Schools Capital Maintenance Programme 2017/2018 for Full Approval of £500k**

In recent years allocations from the Department for Education (DfE) for Capital Maintenance funding have been made on the basis of one year allocations. This funding is non ring-fenced grant funding to address the worst building condition issues at schools. To date the funding allocations have not been announced for 2017/2018 but are expected to be made by the DfE between January and February 2017.

In a change from prior years, the Annex containing a long list of school maintenance items is replaced with general allocations set out below and a specific allocation for Swainswick Primary School. In 2017/2018 it is proposed to allocate funding to the following items.

A budget for minor works and Disability Discrimination Act (DDA) works of £250k to address smaller condition issues such as replacement heating controls and obsolete distribution boards. This funding will be used to address ad hoc condition and health and safety issues as they arise throughout the year. Additionally, this budget can be accessed to address small future DDA adaptations at schools sites.

It is recommended that a £250k emergency works budget is allocated to meet unforeseen issues as they occur throughout the year. This may include items such as emergency roof or boiler repairs to ensure schools remain open.

It is proposed that delegated authority for approval of individual Minor Works/DDA and Emergency Works schemes within the totals above is given to the Strategic Director, People & Communities in consultation with the Cabinet Member for Children's Services.

### **Swainswick Primary School for Provisional Approval of £750k**

Replacement of assets at Swainswick Primary School to address condition and health and safety issues of two temporary buildings and provide toilet facilities for KS1.

The balance of any remaining funding available for the 2017/2018 year is to be held provisionally at this time, for a large emerging scheme of works at Newbridge Primary School. The value to be confirmed once the grant notification has been received.

### **Special Education Needs & Disability (SEND) Education Provision Loan for Provisional Approval of £500k**

Capital budget to create potential repayable loan facility to support the establishment of further provision for post 16 students with SEND within the Bath & North East Somerset area. Any loan would be subject to full business case review and due diligence with no revenue cost to the Council and potential savings in Home to School transport costs.

## **RESOURCES & SUPPORT SERVICES SCHEMES**

**Corporate Capital Planned Maintenance for Full Approval** of £1.357m  
**Equality Act Works for Full Approval** of £100k

Capital Planned maintenance and Equality acts works will be undertaken on the Council Corporate Estate. Annex 3iii provides the detailed plan for 2017/2018. Any amendments to the programme will be approved by the Strategic Director for Resources in consultation with the Cabinet member for Resources.

**Commercial Estate Investment for Provisional Approval** of £53.6m

To allocate resources for the acquisition of property investments which will generate new income and contribute towards the rebalancing of the Estate through buying non-retail property or retail property that is strategically important to the rest of the retail estate. To maximise the effectiveness of these acquisitions, the Council will be looking at opportunities beyond the B&NES boundary, where there are likely to be significant opportunities to purchase non-retail investments in the adjoining Bristol area and the wider West of England Partnership area of appropriate property to increase the financial return of the council's property portfolio. This will also to provide capital investment in commercial offices on Bath Quays South.

Each investment will require a full business case before proceeding.

**Cleveland Pools Capital Works for Provisional Approval** of £200k

Working with Cleveland Pools Trust to support appropriate capital works and enhancements to this Council asset, subject to planning consent. This expenditure will be linked to the future development by the Trust of the pools supported by a substantial grant award from the Heritage Lottery Fund.

**City Centre Protection Measures for Provisional Approval** of £200k

Like many other authorities across the UK, the Council routinely works with partner organisations, such as the Police, to assess safety precautions and ensure that proportionate measures are in place to keep members of the public safe. As part of this, a provisional sum has been set aside in case it is required. There is no indication of any imminent threat to Bath in particular and no specific intelligence to suggest that Bath is at any more risk than any other busy urban area in the UK.

**Corporate Estate – Remediation Works for Provisional Approval** of £250k

Following the testing and servicing of the Councils assets, it is anticipated that there will be a substantial list of remediation works required. These remediation works will have to be prioritised and undertaken in accordance with statutory timelines in order for the Council to comply with its legal obligations towards its staff and members of the public.

**Bath Area Forum – CIL funded Schemes for Provisional Approval of £140k**

The Council is required to pass 15% of CIL funds to the relevant Parish or Town Council. If there is no Parish or Town Council, the charging authority will retain the levy receipts but should engage with the communities where development has taken place, and agree with them how best to spend the local funding.

The Bath City Forum has established a process for working with local elected members and communities to agree recommendations on using the local portion of CIL in Bath. As the Forum has no delegated powers or budgets, any Forum recommendations would need to be determined through an appropriate Executive Council decision.

**Digital Programme (2017-2020) for Provisional Approval of £5m**

Digital has been embraced by central government departments including DCLG, DWP, and DoH to name a few. Many services have been moved online rather than being paper-based.

Digital means enabling the Council to continue to function effectively with fewer resources. Fundamentally re-designing many services from end to end – the customer gets what they need as quickly as possible, in a way that works for them. Well-designed digital solutions are cheaper, faster and often better.

This will be delivered via IT (Information Technology) assets – hardware and software as well as changes to business processes to provide services which encourage customers and clients to opt for “Digital by choice”. This will deliver the proposed revenue savings.

**IT Asset Refresh Programme (2017-2022) for Provisional Approval of £1.512m**

The Asset Refresh programme is a rolling programme which covers all aspects of the council’s IT Infrastructure assets including virtual Servers hosting systems as well as multiple in-depth firewalls and security hardware to protect the council’s data, network routers enabling approximately 100 council offices to inter connect, and backup systems.

Depending on the hardware, each kit requires replacing every 5 to 7 years subject to the associated out of warranty revenue costs.

**Income Systems Upgrade & Associated Works for Provisional Approval of £45k**

New Payment Card Industry Security Standards are being introduced nationally which require all payment systems to be enhanced in accordance with new security standards. In order for the Council to continue to accept any Debit card or Credit card payments various works are required to be undertaken including upgrade of systems and replacement of Chip & Pin devices. The absolute deadline for the above work to be completed is March 2018 but it is advised that the work is undertaken well before that date. Failure to undertake this work will mean the Council would be unable to accept any debit card or credit card

payments, either via internet, telephone, or in person. This project should therefore be classed as essential maintenance.

### **Modern Libraries & Workplace Rationalisation for Provisional Approval of £5.953m**

Work Places 2018 is a programme of works that enables the re-design of Library Services as described in the Strategic review for the service. It aims to replicate the Keynsham model for joint one stop shop and library service in Bath and Midsomer Norton whilst also continuing to develop the principles of the previous Work Places programme.

### **Radstock Healthy Living Centre for Provisional Approval of £1.046m**

Project is to deliver a library and children's centre plus base for health visitors within a new mainly NHS England funded Healthy Living Centre on a Council owner site on Waterloo Road, Radstock.

The project is enabled by agreed external funding opportunity for a new improved doctor's surgery which will include appropriate local consultation. The integration of these services fits with the ideas in the national One Public Estate programme and potentially reduces running costs whilst improving local services and securing their long term future. The Council services will move from their current location in the town centre which will free up current sites. This is a joint project with Hope House Surgery.

### **Revenues & Benefits System Replacement for Provisional Approval of £750k**

This is the IT system used for processing Revenues & Benefits. The system has been on a year to year renewal for some time awaiting implementation of Universal Credits. It is currently anticipated that any replacement system would be implemented during 2018/2019.

## **EMERGING CAPITAL SCHMES**

The following schemes are not yet fully developed and outline business cases have not been produced at this stage so it is not possible to identify an appropriate provision for them within the proposed Capital Programme.

These schemes may require significant capital expenditure some or all of which may be met through external sources or the related service provider. As the specific business cases are more developed and the capital requirements are more fully understood these schemes will come forward for Council consideration and decision at that point.

The business cases will need to identify suitable capital and, if necessary, revenue funding provision at this time.

### **Manvers Street Highway Reconstruction - Future Programme**

Manvers Street, Pierrepont Street and the section of North Parade adjacent to Parade Gardens, are built over cellars. The concrete slabs protecting the cellars are starting to move and break up in areas and will require replacing in the longer term.

Where cellars have been abandoned, a scheme would be developed to formalise the abandonment, fill the structure and use an alternative construction technique to minimise disruption.

The works are initially estimated in the region of £6m, although detailed costing would be required to fully assess costs, and external funding opportunities will be explored.

Utility companies could upgrade their apparatus during the period construction works and public realm improvements are being undertaken.

### **Bath Western Riverside Phase 2**

With completion of the first phase of BWR (813 homes) in 2018/2019 the project can plan to continue delivery across the entire site, including the primary school, 1200+ new homes and commercial space.

In order to realise full regeneration in line with the Core Strategy, further capital investment may be required to support project partners in delivering comprehensive regeneration, some or all of which may be met through external sources.

### **Bath EZ including BWR Phase 2 – Potential Devolution funding to facilitate Housing delivery (2017-2020)**

The Bath & Somer Valley EZ contains important projects to crystallise the housing delivery in the EZ (including Bath Quays and BWR). Significant grant funding may become available subject to ongoing discussions around devolution.

## Link Road East of Bath

The Council aims to develop proposals to remove through traffic from the city. This work will continue with discussions with Wiltshire, Highways England and the DfT. The objective will be to develop these options for inclusion in Highways England's next funding programme which will be approved towards the end of 2019.

## Schools Emerging Capital Schemes

In early 2017 feasibility studies will be undertaken to determine the accommodation needs for the Temple Cloud and Clutton areas from September 2019. Further development proposals will be brought forward at a later date for inclusion in the Capital Programme.

Three new primary schools will be required to meet future housing development by 2029. Of these schools, it is anticipated that one will be delivered by the housing developers and two are likely to be delivered by the Council. There may also be the potential for some of these schools to be delivered through the Free School process at no cost to the Council.

The following table provides information on development sites where agreement has been reached or discussions are ongoing to deliver new schools or expand existing schools.

<b>Development Name</b>	<b>Developer</b>	<b>Provision to be delivered</b>	<b>Anticipated opening / completion date</b>	<b>Approximate Funding Shortfall</b>
Keynsham East & South	Multiple	A new one form entry primary school on the Keynsham east site to provide sufficient places to cover demand in the Keynsham and Salford planning area.	Post September 2018	Unknown, will include build and land costs.
Odd Down/Sulis Down	To be confirmed	Expansion of St Martin's Garden Primary School.	Not yet determined	Unknown
Bath Western Riverside - Crest	Crest	A new one form entry primary school delivered on site.	Not yet determined	To be delivered by developer
Bath Western Riverside - Other	Multiple	Additional one form entry primary capacity, site to be identified.	Not yet determined	Unknown

## **AMENDMENTS TO PREVIOUS CAPITAL PROGRAMMES**

The following schemes are to be removed from the existing Capital Programme.

### **Digital B&NES Provisional £1m**

Recent announcements from the Connecting Devon and Somerset Programme and commercial service deliverers such as BT and Virgin has resulted in the Digital BaNES team reassessing the expected amount of additional funding needed to fill any gaps in broadband provision in Bath and across North East Somerset once those programmes are concluded. The remaining funds will be utilised to address a small number of gaps and to enable extension of the public wi-fi project.

### **London Road Community Development Provisional £800k**

No viable business case was forthcoming for this scheme and it has therefore been restricted to essential remedial works at Riverside Youth Centre.

### **Green Investment & Job Opportunities Fund Provisional £370k**

The balance of the Green Investment & Job Opportunities Fund (£370K) is to be removed. This capital item was set up several years ago and has been used to invest in Wilmington Solar Farm and Bathampton Old Mill Hotel waterwheel. It has now been replaced by the Energy Services Investment fund (£3m).

The Energy Services Investment Fund (£3m) is to be invested in either renewable energy schemes or related energy services infrastructure over the budget period in line with Council policy and linked to the Energy Services income target. There have been some policy changes to the energy market, which is now in a readjustment phase and which has caused a delay in investment this year. The Fund will be re-profiled for investment over the budget period 2017-2020 to take advantage of new opportunities arising in this market.

### **Minimum Revenue Provision (MRP) Policy**

The Council is required to make revenue provision to repay capital spend that is financed by borrowing (either supported or unsupported). This is called the Minimum Revenue Provision (MRP). The Department of Communities & Local Government has issued regulations that require full Council to approve a MRP Policy in advance each year, or if revisions are proposed during the year they should be put to the Council at that time. The policy defines how the Council will make a prudent minimum revenue provision for all new unsupported borrowing.

The Council implemented its current MRP Policy in 2008/2009 with only minor changes made in recent years. As part of the Council's strategic review, the Council's Treasury Management Advisors have undertaken a review of the current MRP Policy against the options suggested in the Department of Communities and Local Government's guidance, to ensure it remains fit for purpose and prudent as well as the potential to reduce the charge to revenue in light of the increasing pressures on the revenue budget.

As a result of this review some changes are being proposed to the MRP Policy, with a recommendation that these changes will come into effect in the current financial year (2016/2017). The effects of these changes have been reflected in the revenue savings proposals for 2017/2018 onwards and the reserves sections of this budget report.

The Council currently adopts the Regulatory Method of CLG's MRP Guidance for **supported borrowing**. This is for capital expenditure which was previously supported by the Government through the Revenue Support Grant (RSG) system. MRP is equal to 4% of the Capital Financing Requirement (CFR) at the end of the preceding financial year, less Adjustment A (an adjustment allowed to neutralise the impact of the change to the MRP regime introduced in 2004). Under this method, although the MRP charge reduces the balance outstanding each year the borrowing need is never entirely paid off. The proposal is to amend the annual MRP charge using an Annuity Rate of 2% over a 50 year period. The percentage chosen corresponds with the Bank of England Monetary Policy Committee's inflation target rate of 2%. MRP will increase by this percentage each year. This reflects the time value of money and produces a consistent charge to Council Tax payers both now and in the future. The annuity period of 50 years has been selected as a period over which the capital expenditure could be expected to provide a benefit to Council Tax payers. This has the effect of a lower MRP charge for the medium term (until around 2037/2038) while beyond this it will be higher. However, it has the advantage over the existing 4% reducing balance method as this element of the CFR will be fully repaid over a 50 year period which is more prudent than the current method which would leave £5.8million unfinanced at the end of the 50 year period.

MRP on **unsupported borrowing** is currently charged over the life of the asset financed by the borrowing on a straight line basis. The revised policy is that the MRP charge will still be charged over the life of the asset but will be calculated on an annuity basis (similar to a domestic repayment mortgage whereby in the early years of the mortgage less of the repayment goes towards repaying capital rather than interest, but over time the capital repayment increases and the interest amount reduces). The annuity method maintains a constant impact on the revenue account over the useful life of the asset being financed, once interest costs are taken into account, with no cost thereafter. The change is proposed as the annuity method provides a fairer charge than the straight line basis as it takes account of the time value of money, whereby paying £100 in 10 years' time is less of a burden to the taxpayer than paying £100 now. The schedule of charges produced by the annuity method thus results in a consistent charge over an asset's life, taking into account the real value of the amounts when they fall due. The annuity method is therefore a prudent basis for providing for assets that provide a steady flow of benefits over their useful life.

For expenditure financed by unsupported borrowing incurred before April 2016, an element of MRP has already been charged on the straight line method. By applying the straight line method rather than the annuity method an "overprovision" of £3.3m is released over a reasonable period of time.

The Council is recommended to approve the revised MRP Policy statement as set out in Annex 4 which has been updated to reflect the proposed changes as set out above (as per recommendation 2.4 (e)).

### **Prudential Indicators**

The prudential framework for local authority capital investment was introduced through the Local Government Act 2003. The key objectives of the Prudential Code are to ensure that the capital investment plans of local authorities are affordable, prudent and sustainable. The Capital Prudential Indicators are shown in Table 8 below.

**Table 8: Capital Prudential Indicators.**

<b>PRUDENTIAL INDICATOR</b>	<b>2015/16 Actual</b>	<b>2016/17 Probable Outturn</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
<b>Estimate of Capital Expenditure (£'000s)</b>					
Actual/estimates of capital expenditure	39,999	82,109	182,667	79,844	26,272
<b>Net Increase in council tax (band D per annum) Figures in £'s (not £'000's)</b>					
The implied estimate of incremental impact of the new capital investment decisions on the council tax			£3.02	£1.86	£0.51
Cumulative totals:			£3.02	£1.86	£0.51
<b>Capital Financing as % of Net Revenue Stream</b>					
Actual/estimates of the ratio of financing costs to net revenue stream			11.05%	16.53%	18.91%
<i>Memo: estimates of the ratio of financing cost to gross revenue stream</i>			3.72%	5.38%	6.17%
<b>Borrowing Limits (£m)</b>					
Operational boundary – borrowing			£306m	£350m	£361m
Operational boundary – other long-term liabilities			£2m	£2m	£2m
<b>Operational boundary - total</b>			<b>£308m</b>	<b>£352m</b>	<b>£363m</b>
Authorised limit - borrowing			£338m	£382m	£392m
Authorised limit – other long-term liabilities			£2m	£2m	£2m
<b>Authorised limit - total</b>			<b>£340m</b>	<b>£384m</b>	<b>£394m</b>
<b>Capital Financing Requirement (£'000s) (as at 31 March)</b>					
Actual/estimate of capital financing requirement	182,475	223,396	338,311	381,541	391,669

### **Gross Debt and the Capital Financing Requirement**

In order to ensure that over the medium term debt will only be for a capital purpose, the Council should ensure that external debt does not, except in the short term, exceed the total of the capital financing requirement in the preceding

year plus the estimates of any additional capital financing requirement for the current and next two financial years.

After reviewing the capital programme and borrowing proposals, the Section 151 officer reports that the Council will continue to meet the demands of this indicator.

### Borrowing limits

The Authorised limits for external debt include current commitments and proposals in the budget report for capital expenditure, plus additional headroom over and above the operational limit for unusual cash movements.

The Operational boundary for external debt (or planned borrowing level) is based on the same estimates as the authorised limit, but including an allowance for cash flow funding of specific capital schemes and without the additional headroom for unusual cash movements.

## Section 4 – Revenue & Capital Reserves and Contingencies

### Significant Earmarked Reserves

In developing the proposed Budget for 2017/2018 all the Council's earmarked reserves have been routinely reviewed and the related potential liabilities assessed to establish the future requirements for each of the reserves.

Key requirements for earmarked reserves 2017/2018 and beyond will continue to be the funding for the ongoing transformation programme for Council services. This will include specific resourcing proposals as part of Budget proposals and related projects, together with related reorganisation and severance costs. The availability of unbudgeted Capital receipts may also support transformation costs in future years, subject to approval.

The proposals for significant earmarked reserves are as follows:-

The Revenue Budget Contingency – This reserve continues to be set aside to meet a range of potential in-year pressures and priorities including the management of the Budget Outturn. It is proposed to ensure this reserve is maintained at a level of around £1M for 2017/2018.

The Transformation Investment Reserve – will support the development and progression of the significant transformation programme to redesign and reshape a range of services to recognise the future shape of the Council. These changes primarily support the implementation of approved Budget proposals and related projects.

This reserve will be committed to meet the costs associated with these changes over the next three years and allocations will be subject to the approval of the Chief Executive in consultation with the Cabinet member for Resources and the S151 Officer.

The Restructuring and Severance Reserve – the significant financial challenge facing the Council will lead to some reductions in staffing number as savings and efficiencies are delivered.

It is estimated that this reserve will be available to help meet these costs, avoiding the need for subsequent additional service savings purely to pay such severance costs. This approach will be regularly reviewed to ensure it is being applied appropriately within the overall scale of anticipated staffing reductions.

Financial Planning Reserve – this reserve continues to support the future medium term financial planning of the Council. The reserve will generally be allocated as part of the Budget process each year to support the specific medium term financial proposals and priorities of the Council. The majority of this reserve has been allocated over the past 4 to 5 years.

The Affordable Housing Reserve – the capital programme includes a substantial £3.7M commitment to affordable housing funded through right to buy and S106 receipts. This reserve will therefore be reviewed regularly to identify actual commitments needed to meet Affordable Housing schemes. Any available surplus may be released to support Restructuring and Transformation costs as required and, the current forecast projects, this may be the case in 2019/2020.

Business Rate Reserve

This reserve manages the variations, commitments and liabilities against the Business Rate Collection Fund including the impact of business rate appeals. Projections for the use of this reserve are based upon the estimated impact of future appeals.

**Table 9** below, sets out the projected level of the significant earmarked reserves taking account of anticipated commitments.

Table 9: Projected Significant Earmarked Reserves

	Revenue Budget Contingency	Transformation Investment Reserve	Restructuring & Severance Reserve	Business Rate Reserve	Affordable Housing Reserve	Financial Planning Reserve
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Estimated Reserves @ 1st April 2017</b>	<b>1,150</b>	<b>2,040</b>	<b>100</b>	<b>1,106</b>	<b>3,000</b>	<b>2,248</b>
Reallocation of Reserves	0	2,000	2,480	0	0	-1,643
Allocation in 2017/2018	0	-3,230	-1,120	-643	0	-60
<b>Balance C/F</b>	<b>1,150</b>	<b>810</b>	<b>1,460</b>	<b>463</b>	<b>3,000</b>	<b>545</b>
Allocation in 2018/2019	0	-665	-715	0	0	0
<b>Balance C/F</b>	<b>1,150</b>	<b>145</b>	<b>745</b>	<b>463</b>	<b>3,000</b>	<b>545</b>
Allocation in 2019/2020	0	-145	-3,745	0	0	0
<b>Balance C/F</b>	<b>1,150</b>	<b>Nil (est)</b>	<b>-3,000</b>	<b>463</b>	<b>3,000</b>	<b>545</b>

### **Unearmarked Revenue Reserves**

The Local Government Act 2003 contains a duty on the Statutory Finance Officer (s151 Officer) to report to the Council, at the time the budget is considered and the Council Tax set, on the robustness of the budget estimates and the adequacy of financial reserves. The report of the s151 Officer on this subject is included as **Annex 2** to this report and is recommended to the Council. The conditions of the report by the Divisional Director – Business Support are an integral part of our budget recommendations. This sets an increased unearmarked reserves target of £13.5 million based on a financial risk assessment including the delivery of the proposals contained within this Budget.

Table 10 below details the proposed movement in the level of unearmarked reserves over the period of the medium term service and resource plans. This analysis includes the proposed use of reserves to support invest to save proposals included within the Budget, specifically:

- The Leisure Contract - an allocation of up to £2.1m to cover the smoothing of Council and contractor costs in the first 6 years with this being repaid over a period of up to 10 years, as agreed by Cabinet at its meeting on 9<sup>th</sup> September 2015.

This actual level of unearmarked reserves will also depend on the Outturn position for 2016/2017 and on future decisions by the Cabinet about any overspends. The figures are therefore only an estimate at this stage and are without prejudice to future Cabinet decisions.

### **Budget Report 2017/2018 - Contingent Liabilities**

#### **Locally Retained Business Rates**

A number of local billing authorities, including the Council, are the subject of an ongoing application by a national property agent acting on behalf of a number of NHS Foundation Trusts and NHS Trusts requesting mandatory business rate relief.

This is a complex legal matter and at this stage the Council would not accept any such request for mandatory relief. Representations have been made by the Council to the Department for Communities and Local Government on this matter and the Local Government Association are coordinating legal support with the local authorities concerned.

Whilst the Council's view is that the relief is not applicable in this case, if this position were to change, the granting of such a relief would present a significant challenge to the ongoing financial viability of the Council.

### **Adequacy of reserves**

The s151 officer's report on the robustness of estimates and adequacy of reserves is set out at Annex 2. This provides a reserves strategy to maintain non-earmarked General Fund reserves at £13.5m based on a thorough risk assessment. This is an increase of £3m on the previous level of £10.5m and is

funded by a transfer of the 2016/2017 savings from the 2016/2017 MRP Policy changes referred to early in the report. The projected reserve levels are set out in Table 10 below.

**Table 10: Projected Non-Earmarked Revenue Reserves**

	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>
<b>Estimated Reserves @ 1st April each year</b>	<b>12,536*</b>	<b>12,480</b>	<b>11,975</b>
2016/2017 Projected Outturn Underspending	-	-	-
Projected Invest to Save Movements	-56	-505	-595
<b>Estimated Reserves @ 31st March each year</b>	<b>12,480</b>	<b>11,975</b>	<b>11,380</b>

\* Increased provision to reflect risk & robustness assessment (£3m increase)

Based on anticipated invest to save commitments associated with the Leisure Contract, it is currently forecast that the Non-Earmarked Reserves will begin to be repaid in 2023/2024 and at no point will reduce below the risk assessed minimum level of £7.5M.

Under the Council's Invest to Save Scheme, the Section 151 Officer in consultation with the Cabinet Member for Finance & Efficiency can authorise funding from within the non-earmarked reserve for robust and credible invest to save proposals (i.e. in the short term creating a 'negative ear-marked reserve' which is then repaid over time, usually 3 years, from the related savings). This is subject to the overall level of non-earmarked reserves being maintained above the risk assessed minimum level of £7.5M.

## **Capital Risk Contingency**

There are three levels of risk provision in relation to the capital programme.

Firstly individual major projects within the capital programme hold their own contingency in accordance with good project management practise to meet unavoidable and unforeseen costs;

Secondly, the capital programme includes a funded corporate risk contingency which will be maintained at £2m.

Thirdly the corporate risk assessment on which the general reserves target is based includes an element in the context of the capital programme based on the risks of the current programme.

As with all capital projects, relevant risks are being considered as part of the overall risk-assessed general reserves and the Corporate Risk Register.

## **Governance**

The Council is requested to confirm the specific arrangements for the governance and release of Council reserves, including invest to save proposals, be delegated to the Council's Section 151 Officer in consultation with the Cabinet Member for Finance & Efficiency and the Chief Executive.

## Section 5 – Council Tax

This section shows the implications of the recommended revenue budget for Council Tax levels for 2017/2018.

There were no provisions within the Settlement for the Government to provide grant funding support for council tax freezes, as had been the case prior to 2016/2017. The proposed Council Budget provides for the following:

- In order to protect frontline Adult Social Care services, a specific council tax precept increase of 2%.
- A general council tax increase of 1.50% in 2017/2018 in order to help protect frontline services.

The proposed band D Council Tax for Bath & North East Somerset Council next year is £1,284.33 (£1,240.90 for 2016/2017). Table 11 explains the calculation of this figure:

**Table 11: Council Tax 2017/2018 for Bath & North East Somerset Council Services**

Description	Amount	Comments
Recommended Net Revenue Budget	£112,796k	See Annex 1
Less retained business rates, reserves and estimate of Collection Fund position	£30,604k	See Annex 1 Sources of Funding
<b>To be funded by Council Tax</b>	<b>£82,192k</b>	
Tax base (Band D properties equivalent)	63,996.16	Approved by the Section 151 Officer in December 2016
<b>Recommended Council Tax at Band D for 2017/2018</b>	<b>£1,284.33</b>	
2016/2017 Council Tax Band D	£1,240.90	
<b>Recommended Increase</b>	<b>£43.43</b>	<b>3.50% increase</b>
<b><i>The increase comprises:</i></b>		
<i>Adult Social Care Precept</i>	<i>£24.82</i>	<i>2.00% increase</i>
<i>General Fund Precept</i>	<i>£18.61</i>	<i>1.50% increase</i>

***The figures above exclude parish, fire and police precepts.***

This Council collects Council Tax on the behalf of the parishes, Fire and Police Authorities and the final bills issued will include the Council Tax they have requested this Council to collect. These will form part of the Council's overall budget-setting resolution.

The Police & Crime Commissioner's current budget proposals include a planned increase in Council Tax of 1.99% for 2017/2018. The Final budget and precept proposal will be presented to the Police and Crime Panel at their meeting on 8<sup>th</sup> February 2017.

As part of its budget report last year, the Avon Fire Authority agreed “in principle” to a 2% increase in Council Tax for the period 2016/2017 to 2019/2020, “to provide a firmer medium term financial plan on which to base its financial strategy” and its draft budget for 2017/2018 has been built on this basis.

The Fire Authority will meet on 10<sup>th</sup> February 2017 to finalise its budget and set its Council Tax and precepts for 2017/2018.

The headline increase will be affected by the final decisions of the parishes, Fire and Police Authorities, and any decision made concerning special expenses (see below). Final figures will not be available until after Fire and Police meetings and decision dates highlighted above.

Table 12 sets out the composite Council Tax likely to be charged:

**Table 12: Potential Total Council Tax 2017/2018 (Band D)**

<b>Council Tax charges (Band D) made by</b>	<b>Charge made now 2016/17 £</b>	<b>Proposed Charge 2017/18 £</b>	<b>% Change</b>
Bath and North East Somerset Council	1,240.90	1,284.33	3.50% (£43.43 at Band D)
Avon and Somerset Police	178.26	TBC	Final Decision to be taken on 8 <sup>th</sup> February 2017.
Avon Fire & Rescue	67.93	TBC	Final decision to be taken on 10 <sup>th</sup> February 2017
<b>Total excluding parishes</b>	<b>1,487.09</b>	<b>TBC</b>	
Parishes (average)	36.80	TBC	Not known at time of writing report
<b>Total</b>	<b>1,523.89</b>	<b>TBC</b>	<b>The 2017/2018 figure will depend on decisions taken by the Police, Fire and Parish/Town Councils</b>

The precepts required by Parishes, Fire and Police will form part of the Council Tax setting resolution at Council on 14th February 2017, and so the necessary updated information will be set out in the report.

### **Special Expenses**

As part of the 2016/2017 Budget preparation process no special expenses were declared (with the exception of Parish and Town Council precepts). It is proposed that this policy remains unchanged for the 2017/2018 budget.